

Changes in the regulations of the Department of Natural Resources

August 2005

The Department of Natural Resources amended regulations in Title 11 of the Alaska Administrative Code, dealing with the number of high value-added negotiated timber sale contracts that may be issued annually, and the fees for timber sale document handling and contract extension. These amendments increase the number of high value-added timber contracts that may be negotiated statewide; eliminate the \$100 fee charged for handing timber sale documents; and remove the \$100 contract extension fee from regulations, so that the amount may be set in the individual timber sale contract.

Number of negotiated timber sales for local manufacture of high value-added products

AS 38.05.123 guides negotiated timber sales for local manufacture of high value-added wood products, and states that “the commissioner shall by regulation set a maximum number of [high-value added timber sale] contracts, but not less than two, per region of the state that may be negotiated each year under this section.” Under the old regulations, 11 AAC 71.094 allowed region I (Southeast Alaska) two sales per year, region II (Southcentral Alaska) two sales per year, and region III three sales per year. The regulation change increases the number of sales to ten in region I, and to five each in regions II and III.

The number of sales allowed per year was insufficient, particularly in Southeast Alaska, because the Division of Forestry is committed to selling timber to local mills. If the Division of Forestry sold its timber sales in Southeast Alaska competitively, on the open market (under AS 38.05.120), most of the timber would go to the export market, rather than supporting local mills. However, the Division has the authority to sell timber not just under the competitive bid process, but also through negotiated sales under AS 38.05.115, .118, or .123. Under the negotiated sale process, the Division can put specific terms and conditions in the sale contract, such as requiring local processing. AS 38.05.123 allows the Division of Forestry to negotiate sales with local operators who will manufacture high value-added wood products.

Many of the local operators in Southeast Alaska have upgraded their mill facilities to include dry kilns and planers, which can produce high value-added wood products. The Division of Forestry can now offer a greater number of sales under AS 38.05.123 to accommodate the increased number of mills that can produce high value-added wood products. The increased number of sales per year in Southeast Alaska will allow local industry to take advantage of high value niche markets.

Regardless of the type and number of timber sales, the amount of timber harvested will not exceed the allowable cut. Sales under AS 38.05.123 may be quite small, so multiple sales are feasible within the allowable cut. Allowing a greater number of sales under AS 38.05.123 will directly support the local wood manufacturing industry now and into the future.

Why weren't the other types of negotiated sales sufficient?

- AS 38.05.115 only applies to small sales and limits each purchaser to no more than 500 thousand board feet of timber within a one year period.
- AS 38.05.118 and 11 AAC 71.055 do not require a high value-added product, but require that the available timber volume is greater or equal to 50% more than the recent harvest.

Due to the increased demand for state timber, the state's projected sales in Southeast Alaska for next year will not meet this criteria.

The Division of Forestry increased the number of high value-added sales allowed in all regions to encourage local manufacture of high value-added products. These high value-added sales provide a direct economic benefit to Alaskan communities, helping create a stable local job base.

Regulations

11 AAC 71.094. Number of high value-added contracts per region was amended as follows:

(a) For the purpose of entering into timber sale contracts for local manufacture of high value-added timber products under AS 38.05.123, the commissioner will negotiate no more than the following number of timber sale contracts each year:

- (1) **ten** [TWO] sales per year in region I;
- (2) **five** [TWO] sales per year in region II; and
- (3) **five** [THREE] sales per year in region III.

Forestry Fees

Timber sale document handling fee

The timber sale document handling fee of \$100 was repealed [11 AAC 05.010(a)(2)(A)], because sometimes the fee makes selling a timber sale uneconomical. In the case of very small sales, or sales that have a very low value, the \$100 fee added to the cost of the timber is a barrier to selling the sale. For example, on the Kenai Peninsula, where most of the timber has been killed by the spruce bark beetle, the Division is encouraging timber harvest of dead trees to reduce fire danger. Small sales of these dead trees are often sold for less than \$200, so the additional document handling fee is a significant burden on these purchasers. Eliminating the \$100 fee increases the Division's ability to sell very small sales, and low-value sales of dead trees that are a fire hazard.

Contract extension fee

The contract extension fee was repealed [11 AAC 05.010(a)(2)(G)] to allow more flexibility in assigning fees. In some cases the Division of Forestry may want to charge a higher contract extension fee. For example, for a very large sale harvested over a long time, the Division may want to require a higher contract extension fee to encourage the purchaser to harvest the sale in a timely manner. In other cases, the Division may want to charge a lower contract extension fee, for example, a contract extension on a very small sale whose purchaser needs only an extra week to complete the harvest may not warrant a \$100 fee. The contract extension fee for each timber sale will be set in each individual timber sale contract or in an amendment to the contract, not in regulation.

Regulations

11 AAC 05.010(a)(2)(A) and (G) are repealed:

11 AAC 05.010. Fees. (a) Non-refundable fees to apply for authorizations, and fees to obtain publications or services from the department, are as follows:

- (2) forestry
 - (A) **repealed** / / ; [TIMBER SALE DOCUMENT HANDLING FEE, \$100;]
 - (B) beach log salvage license fee, \$1,000;
 - (C) log brand registration fee, \$50;
 - (D) transfer of log brand registration fee, \$25;
 - (E) renewal of log brand registration fee, \$25;

(F) repealed 5/5/93;

(G) **repealed** / / ; [CONTRACT EXTENSION FEE, \$100;]